

## Message Text

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ACTION NEA-09

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FM AMEMBASSY CAIRO

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C O N F I D E N T I A L CAIRO 1031

E.O. 11652: GDS

TAGS: BDIS, EG US

SUBJECT: EGYPTIAN TREATMENT OF AMERICAN FIRMS ALREADY OPERATING  
IN EGYPT

1. I HAVE BEEN CONCERNED FOR SOME TIME THAT AMERICAN FIRMS  
ALREADY OPERATING IN EGYPT (OIL FIRMS EXCEPTED) MAY NOT BE  
GETTING A FAIR SHAKE. AS DEPT AWARE, NEW INVESTMENT LAW (43)  
DOES NOT APPLY TO ALREADY EXISTING FOREIGN FIRMS. THEY CONTINUE  
TO HAVE DIFFICULTY IN REPATRIATING PROFITS AND SUFFER OTHER  
LIABILITIES. I ONCE DISCUSSED THE SUBJECT WITH TAHER AMIN, BUT  
WAS TOLD THIS WOULD HAVE TO BE LOOKED INTO LATER.

2. A CASE HAS NOW ARISEN WITH PFIZER, WHICH HAS BEEN IN  
EGYPT SINCE 1961. PFIZER HAS FOR SOME TIME ENCOUNTERED  
LONG DELAYS, UP TO THREE YEARS, IN TRANSFERRING BOTH ROYALTIES  
AND PROFITS. WHILE PFIZER HAS ACCEPTED THIS IN INTERESTS  
OF ESTABLISHING LONG TERM RELATIONSHIPS, IT WAS INFORMED  
LAST MONTH THAT THE TRANSFER OF ROYALTIES AND PROFITS MUST HENCE-  
FORTH BE THROUGH THE PARALLEL MARKET, ENTAILING AN  
APPROXIMATELY 55 PERCENT SURCHARGE ON THE PURCHASE OF DOLLARS,  
RATHER THAN AT THE OFFICIAL RATE. PFIZER HAS THUS FAR REFUSED  
TO DO SO AND IS DISCUSSING THE SUBJECT WITH THE MINISTRY OF  
FINANCE. THE LATTER PLEADS INABILITY TO REMEDY THE SITUATION  
BECAUSE OF FOREIGN EXCHANGES SHORTAGES, WHICH IS OF COURSE  
TRUE. ADDITIONALLY, PFIZER, ALONG WITH TWO OTHER FOREIGN  
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PHARMACEUTICAL FIRMS, HAS BEEN ADVISED THAT IT WILL HAVE TO

REDUCE PRODUCTION BY 25 PERCENT. SINCE GOE OWNED PHARMACEUTICAL COMPANIES ARE EXEMPT FROM THIS RULING, PFIZER BELIEVES THIS STEP WAS TAKEN TO IMPROVE THE COMPETITIVE POSITION OF EGYPTIAN COMPANIES. PFIZER REPRESENTATIVES HAVE DISCUSSED SUBJECT WITH ME. I AGREED TAKE AN APPROPRIATE OPPORTUNITY TO TALK WITH PRIMIN HEGAZI ABOUT IT.

3. DURING MY MEETING WITH HEGAZI TODAY, I EXPRESS CONCERN ABOUT DISCRIMINATORY TREATMENT BEING METED OUT TO LONG ESTABLISHED AMERICAN FIRMS. I GAVE AFOREMENTIONED EXAMPLE OF PFIZER, WHICH HAS LONG SOUGHT TO SERVE EGYPT, AND URGED GOE TREAT SUCH RESIDENT AMERICAN FIRMS ON A NO LESS FAVORABLE BASIS THAN THE NEW FOREIGN COMPANIES IT IS TRYING TO ATTRACT. I POINTED OUT, THAT APART FROM FAIRNESS, EGYPTIANS AUTHORITIES SHOULD BEAR IN MIND THAT PFIZER, AS ONE OF VERY FEW US COMPANIES OPERATING HERE, IS CONSTANTLY APPROACHED BY POTENTIAL AMERICAN INVESTORS FOR INFORMATION ON THE NATURE AND PROBLEMS OF DOING BUSINESS IN EGYPT. I SUGGESTED THAT IT WAS IN GOE INTEREST TO HAVE PFIZER AND THE FEW OTHER RESIDENT AMERICAN FIRMS ABLE TO REPORT POSITIVELY ON RELATIONS WITH EGYPTIAN AUTHORITIES INSTEAD OF HAVING TO DECRY DISCRIMINATORY PRACTISES TO WHICH THEY ARE SUBJECTED.

4. HEGAZI SAID HE WAS NOT AWARE OF ANY SUCH DISCRIMINATORY TREATMENT. HE CLAIMED PFIZER HAS MADE A GREAT DEAL OF MONEY HERE, BUT ACCEPTED THE POINT THAT PROPER TREATMENT OF RESIDENT AMERICAN FIRMS IS ESSENTIAL TO ATTRACT NEW AMERICAN FIRMS. HE PROMISED TO LOOK INTO THE MATTER AND SEE WHAT CAN BE DONE TO REDRESS EXISTNG INEQUITIES.  
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